RMB financial crisis around the corner, quietly opened the gold bull market

This article first appeared in the micro-channel public number: Citizen economist Wu Di (Micro Signal: deeywoo). Article content belongs to the author, and do not represent the position of telecommunications networks. Accordingly, investors operate at your own risk.
Gold’s performance has been so far this year the price of gold (unless otherwise specified, refers to the price of the dollar) has risen more than 20 percent over the past three decades, the best start to the New Year. So this gold rally in the end can it continue? Before the gold bear market since September 2011 has been going on for four years, to determine this wave trend gold is in a bear market rally, or a trend reversal, we need to look at the gold trend of macro-financial and economic base in the end is what happening? Here the basic macro-economic financial gold trend of two levels, one level is the dollar index, a level of monetary policy and macro-financial environment. Let us first from the perspective of the dollar index. See below:
As shown in Figure 1, in the medium and long term price of gold and the dollar index (the Fed's dollar trade-weighted index) have a high negative correlation. That simple point, the dollar is strong, gold is weak. So far this year the dollar has fallen more than 6%, since 2010, the worst start. And now the market's view on the dollar is also pessimistic side. Last month 22, the dollar index futures net positions in the last almost a year's time turned negative for the first time, the market is generally bearish on the dollar. Many institutions such as HSBC, they are said, the dollar index has peaked. It should be noted that this round of weakening the dollar index, the dollar index is mainly due to the weight of the largest in the euro and the yen is very strong. This year, the 4% appreciation of the euro against the dollar, the yen appreciated against the dollar by 10%. It should pay particular attention, the US Treasury currency report in April this year in Germany and Japan were put into the exchange rate watch list, which is almost exclusive privilege of China in the past few years. This shows that the US government is conscious of the weakening dollar. Watch list is the first step to enter the exchange rate, the next step could be convicted as a currency manipulator. Once a currency manipulator would enjoy US trade sanctions dinner, the price will be very heavy. Fortunately, only one country in the past 25 years through a currency manipulator honor that in 1993 China. But watch list bounded the exchange rate is still a very serious matter. Eurodia this time did not dare turn on the water overweight certainly weaken the yen with this. Here, the European Central Bank and the Bank of Japan will not commit crimes against the wind to weaken the euro and the yen. If they engage in big action (overweight QE large drain), then the dollar index on hard up for gold is a very good thing, is the opportunity to do more gold window. Let us in terms of monetary policy and macro-financial environment, the current price of financial assets need to maintain the continued expansion of credit, otherwise collapse like dominoes phenomenon will
spread. Since the 2008 financial crisis, the global central bank balance sheet expansion of over 10 trillion US dollars, which in financial asset prices initially formed a strong support, but since the last couple of years, from commodities to equities, financial asset prices in all under pressure, the central bank’s traditional practices include QE seems to fail. So the dead pig is not afraid to open Shui Tang’s central bank began to engage in negative interest rates, the result is far not as people would like. Appreciation of the euro, the yen. European stock markets fell, the Japanese stock market fell. Financial markets fully to the pursuit of the opposite of negative interest rates. Why is this so? Previous years, at zero interest rates and quantitative easing instigation million for hundreds of thousands of dollars were mismatches, resulting in high financial asset bubble, of which a typical example is the crude oil bubble. Currently, Europe’s largest 19 banks and 20 largest US banks to the oil and gas industry exposure has reached 400 billion euros, most of these exposures at high prices when accumulated.

In the early bubble, large-scale banks provide credit to the oil and gas industry, resulting in excessive expansion of its production capacity, so that it is now a serious excess capacity, global crude oil inventory levels are more long-term maintenance at the highest level of the past 80 years. The collapse of oil is not a day, two thanks to the long-term quantitative easing and zero interest rates, thanks to the other categories of assets, why not? Quantitative easing and zero interest rates lead to capital mismatch, serious excess capacity, many categories of assets unprofitable, is negative interest rates can make a serious excess capacity in the major categories of assets no longer surplus and profitable? Not address sustainable way to make boom bubble problem, as a method of manufacturing problems could never solve the problem. So now the world’s central banks have a dilemma, not to engage in credit expansion, financial assets will collapse, the collapse of oil does not believe to see how badly. Engage in credit expansion, with a big bubble blowing solution to bubble finally still no solution. So, engage in quantitative easing of quantitative easing was not fun, not for immortality, hub negative interest rates; this year, the increase of interest rates four times, became a plus two, plus once again become. Negative interest rates is good for gold, because gold as asset categories do not pay interest anyone. The Fed continues to lower the rate hike expectations is a good thing, which makes gold more attractive as a non-interest bearing assets, where you want to add that this time will be the Fed ever step slowest rate hike cycle, please lovers treasure this golden opportunity. Financial asset prices in all pressure is a good thing, because gold is the oldest of the safe-haven assets. From a macro point of view on the basis of financial and economic, which is likely to be the end of the gold bear market, bull market in gold is on. Calmly say, dollar-denominated gold is a rebound or reversal remains to be seen, but the yuan-denominated gold bull market is undoubtedly opened. Also it pointed out
that many people think that the future inflation space is limited, so gold is limited upside, but in fact, the gold price is not driven by inflation, in fact, gold is used to hedge against inflation effect is very poor. (Shown in Figure 2) Through the past 50 years the price of gold regression analysis, the correlation coefficient of gold prices and inflation paltry 0.1065, indicating that only 10.65 percent of the price fluctuations caused by inflation. A recent example is the 2009, the US economy throughout the year in the shadow of deflation in the same period the price of gold never $ 874 / oz soared to $ 1100 / oz or so. Obviously, the level of inflation in order to predict price movements will give investors huge losses.

In fact, the fundamentals in terms of gold the most important driving factor is not inflation but real interest rates. According to Professor Campbell Harvey of Duke University study report the plight of gold], correlation (as shown in Figure 3) the real price of gold and ten-year inflation-indexed bonds Federation (TIPS) of the real rate of return of 0.82, which proved real interest rates can be used to explain 82% of the price fluctuations, the lower the real interest rate, the higher the price of gold.
As the author of last November: that "global macroeconomic trends golden eye" in an article : (shown below), in order to resist the economic downturn, China has entered a cycle of interest rate cuts 4. In order to ease the downward pressure on the economy, the central bank must strive to ensure continued low real interest rate of RMB funds, medium and long term gold price of RMB which will form a strong support and promote. RMB gold prices are likely to enter the super bull market.

Finally, in February this year so I use the column "financial tsunami will hit again renminbi gold bull market is coming! "Conclusion to ending my opinion yuan-denominated gold super bull market is unstoppable. Because of the global financial tsunami swept around the corner, in this case, global monetary easing is still a long
road. Now account for a quarter of GDP, countries around the world, including Japan, Germany, France, Switzerland, Italy, Spain, etc. have joined the ranks of negative interest rates; may be implemented within this year, the United Kingdom, Canada, Norway, the Czech Republic. Negative interest rates is also radical than the quantitative easing monetary policy. Thus, the future global competitive currency depreciation trend irresistible. Global prevalence of negative interest rates, global competitive currency devaluation, it seems that the interest rate downward path of China is still a long (next three or four annual interest rate downward trend should be), China’s monetary easing is far from being in place even need quantitative easing; and in view of the current Chinese interest rates in the world’s major economic powers in the highest level, as well as the devaluation trend (subject to China’s debt cycle, the next 2023 exchange rate downlink) the next two or three years, I judge the price of gold RM8 super bull market is already open. In the flood approaching, if the lifeboat and rescue helicopter did not expect, we need to provide a life preserver. What our wealth lifebuoy that? Gold! About the author: the well-known economist, Mu-sheng enterprise management consulting firm, chief economist of Manchester Business School Master of Business Economics, a core member of the country's top think tank, the Chinese "Super deleveraging theory 'creator. On the economic well-known media open column, published hundreds of thousands of English words in the article, the foreign media have "Business Insider", "Seeking Alpha ", "Zero Hedge", " The Wall Street Journal (blog, microblogging )", " Lianhe Zaobao ", " Huffington Post ", "..... domestic media have" first financial Daily ", " new wealth ", " IT managers in the world ", " CEIBS Business Review; "..... influence far abroad, in the" Wall Street Daily "published" the US will lose a China trade war", for the first time with" citizen economist "approach attempts to prevent a trade war, the US President Barack Obama personally reply, has aroused strong repercussions. This article first appeared in the micro-channel public number: Citizen economist Wu Di (Micro Signal: dcywyo). Article content belongs to the author, and do not represent the position of telecommunications networks. Accordingly, investors operate at your own risk.

(Editor: Sun Jiannan IN010)
The article mentioned that the key recommendation of the relevant fund
self-selling through and financial news distribution platform off fund
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| Fund Name           | NAV   | Monthly Quarter | Annual Rates | operating
|---------------------|-------|----------------|--------------|-----------
| Hua Tai Borui value growth | 2.3045 | -0.04% -1.27% | 2.06% | 0.60% |
| Changsheng electronic information relating to Xinhu industry rotation flexible | 1.834 | -0.38% -1.01% | 33.50% | 0.60% |
| Po Silver emerging industries | 2.164 | -0.83% 0.05% -12.64% | 0.60% |

Source: Reuters and Deadline: 2016-05-12
Fund sales organization approved by the SPC Investment need to be cautious
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I fully agree with the author's opinion, the article analyzes the more comprehensive, well-founded. From the big period, the US economy into recession cycle, recessions are many reasons, in addition to the international economic environment, mainly due to US political and military policy morale recession, its economy to the huge national debt is the main cause of negative cycle. In this backdrop, the dollar bear market enters the stage is inevitable, no currency can keep alive the bull, which provides an important foundation for the gold bullish.

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